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## Turkey

## Raisins

## Annual

## 2008

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**Report Highlights:**

Due to a drought in 2007, Turkish raisin production in MY 2007 (estimated 220,000 MT) was significantly lower than original estimates. In MY 2008, industry expects production levels to return to around 280,000 MT. The average price for raisins at the Izmir Commodity Exchange in September 2007 was 1.60 YTL/kg, but low supply and high demand pushed this price to 3.22 YTL/kg in April 2008.

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## Executive Summary

Due to a drought in 2007 Turkish raisin production in MY 2007 (estimated 220,000 MT) was significantly lower than original estimates. For MY 2008, although it is still very early, industry expects production levels to return to normal. Production in MY 2008 is expected to reach approximately 280,000 MT if favorable weather conditions continue during the remainder of the growing and drying seasons. The raisin growing area is expected to remain stable in MY 2008.

The Union of Agricultural Sales Cooperatives (TARIS), a State Economic Enterprise (SEE), is expected to announce its MY 2007 raisin procurement price in September 2008.

Domestic raisin consumption for confectionary use is estimated at 30,000 MT, but total consumption depends on the amount used by *raki* distillers (*raki* is a traditional Turkish alcoholic beverage), because their use varies depending upon the supply and quality of the crop. Average raisin prices at the Izmir Commodity exchange in September 2007 were 1.60 YTL/kg. Low supply and high demand pushed the prices to a high of 3.22 YTL/kg in April 2008. By July, prices had dropped back to around 2.2 YTL/kg. Even this relatively low price is an increase of 65% from the same period a year earlier (1.35 YTL/kg in July 2007).

In MY 2006 the average export price for raisins was 1.192 USD/kg but in MY 2007 it rose to 1.685 USD/kg. Export prices are expected to decrease with increasing supply in MY 2008. Recently the exchange rate has been YTL 1.22/USD compared to YTL 1.30/USD a year ago.

Total stocks in the beginning of MY 2007 were about 43,000 MT. Total carryover stocks for MY 2007 are expected to be an all-time low of 4000 MT. This is partially due to lower crop yield but also due to increased demand from *raki* producers.

In response to the commitment it made to the IMF, the Turkish government eliminated most input subsidy programs and adopted a direct income support system for farmers. Compared to most other agricultural SEE's, TARIS appears to be in a comparatively good economic position, particularly in the raisin sector. Although the government is not giving support to TARIS for procurement, TARIS remains a key player in Turkey's raisin market. For example, in recent years the production of raisins increased significantly. In response, TARIS purchased large quantities in order to protect its members. TARIS was able to do this without government support because it can obtain bank loans easily.

There has never been any export subsidy for raisins. Since 2005 there has been an import duty of 54.9 percent for raisins of all origins based on CIF value.

## Production

Due to a drought, Turkish raisin production plummeted to 220,000 MT in MY 2007 (the marketing year begins in September). In MY 2008, Turkish raisin production is expected to recover to MY 2006 levels, due to favorable weather conditions in the growing regions. If weather conditions continue to be favorable during the rest of the growing and drying seasons, projected raisin production for MY 2008 is 280,000 MT. The size of the raisin growing area is projected to remain the same in MY 2008.

## PSD Table for Raisins

| Raisins<br>Turkey            | 2006                        |                        | 2007                        |                        | 2008                        |                        |
|------------------------------|-----------------------------|------------------------|-----------------------------|------------------------|-----------------------------|------------------------|
|                              | 2006/2007                   |                        | 2007/2008                   |                        | 2008/2009                   |                        |
|                              | Market Year Begin: Sep 2006 |                        | Market Year Begin: Sep 2007 |                        | Market Year Begin: Sep 2008 |                        |
|                              | Data                        | Revised                | Estimate                    | Revised                | Forecast                    | Jan                    |
|                              | USDA<br>Official<br>[Old ]  | Post Estimate<br>[New] | USDA<br>Official<br>[Old]   | Post Estimate<br>[New] | USDA Official<br>[Old]      | Post Estimate<br>[New] |
| Area Planted<br>(HA)         | 85000                       | 85000                  | 85000                       | 85000                  | 0                           | 85000                  |
| Area Harvested<br>(HA)       | 84000                       | 84000                  | 85000                       | 85000                  | 0                           | 85000                  |
| Beginning Stocks<br>(MT)     | 62000                       | 62000                  | 53000                       | 43000                  | 0                           | 4000                   |
| Production<br>(MT)           | 280000                      | 280000                 | 300000                      | 220000                 | 0                           | 280000                 |
| Imports<br>(MT)              | 1000                        | 1000                   | 1000                        | 1000                   | 0                           | 1000                   |
| Total Supply<br>(MT)         | 343000                      | 343000                 | 354000                      | 264000                 | 0                           | 285000                 |
| Exports<br>(MT)              | 250000                      | 260000                 | 270000                      | 190000                 | 0                           | 210000                 |
| Domestic Consumption<br>(MT) | 40000                       | 40000                  | 40000                       | 70000                  | 0                           | 50000                  |
| Ending Stocks<br>(MT)        | 53000                       | 43000                  | 44000                       | 4000                   | 0                           | 25000                  |
| Total Distribution<br>(MT)   | 343000                      | 343000                 | 354000                      | 264000                 | 0                           | 285000                 |

Grapes are grown throughout Turkey. Seedless grapes, virtually all of which are *Vitis viniserae L* - the same genus and species as Thompson seedless grapes - constitute about 40 percent of the total grape crop and are grown only in Turkey's Aegean Region. Total fresh seedless grape consumption has increased in recent years and it is estimated that now around one third of the seedless grape crop is consumed or exported as fresh grapes and the remainder goes to the raisin industry.

Seedless grape production expanded significantly in Turkey in the 1990's due to more intensive cultivation and better irrigation techniques. The Union of Agricultural Sales Cooperatives (TARIS) has recommended in recent years that producers limit their seedless grape orchard area because the export market was supposedly saturated. Seedless grapes generally are grown on small farms averaging about 1.3 hectares. It is estimated that nearly 65,000 growers produce seedless grapes in Turkey.

About half of all raisin producers are members of TARIS. Each year TARIS announces a procurement price for raisins, which also serves as a support price. TARIS is required to buy raisins from its members if offered, but members are free to sell to other buyers and they often do. In general TARIS buys around 15-20 percent of total production.

The quality of Turkish raisins improved during the 1990's through better production and sanitation methods. Improvements included the use of trellises, small plastic harvest crates, and concrete drying beds. Most of these improvements were financed by private processors

and much of the capital was derived from higher export prices obtained as a result of the EU's minimum import price system, which is no longer in effect.

In general, Turkish raisins are lighter in color and rounder than California raisins. The color difference is due to the fact that in Turkey a dipping solution is used to speed up the drying process, as the drying season is short. However, Turkish producers have started to produce Thompson type raisins by drying them without using this dipping method in recent years. It is estimated that in MY 2006 about 15,000 MT Thompson type raisins were produced.

### Production Policy

All Agricultural State Economic Enterprises (SEE's), including TARIS, were given autonomy by the government as a part of the economic reform legislation adopted in 2000. As a result, the director generals of SEE's, who used to be appointed by the government, are now elected. The Turkish government made a commitment with the IMF to reduce budget deficits as part of its economic reform. At the same time, the government eliminated most of the input subsidy programs and adopted a direct income support program for farmers. This policy change decreased the financial burden of the SEE's as well. Compared to most other agricultural SEE's, TARIS appears to be in a comparatively good financial position. This is particularly true for the raisin division, which usually earns a profit.

### Consumption

Domestic raisin consumption fluctuates depending on the supply and quality of the raisin crop. Turkey is estimated to use about 30,000 MT of raisins for confectionary purposes. Low quality raisins are also used for distillation in *raki* production (*raki* is a strong traditional Turkish alcoholic drink, flavored with anise seeds). The exact quantity of raisins being used for *raki* production is not known.

Until 2004 the Turkish alcoholic beverage market was regulated by the Turkish Government via the TEKEK organization (literally translated as "monopoly"). Changes in early 2004 and the privatization of the alcoholic beverage industry has allowed entrepreneurs to enter the market with new brands. As a result *raki* production has increased dramatically. In 2003 approximately 31 million liters were produced, whereas in 2007 production increased to approximately 43 million liters. Industry sources estimate that between 100,000 MT and 140,000 MT of fresh and dried grapes were used to produce *raki*.

The ratio of fresh and dried grapes used for producing *raki* changes with the price and availability of lower quality grapes or raisins. Also recent changes in the taste preferences of Turkish consumers have affected the mix. Traditionally, dried grapes with seeds and low grade raisins have been predominantly used in *raki* production, but in the last couple of years, *raki* made from fresh grapes has become the preferred variety. As a result, industry estimates that in MY 2006 *raki* production used 70% fresh grapes, 23% dried grapes with seeds, and 7% raisins from the Aegean region. In MY 2006 privatized *raki* producers procured about 10,000 MT of raisins. However in MY 2007 the amount of raisins used in *raki* production increased drastically to an estimated MT 40,000 because *raki* producers were not able to obtain enough dried and fresh grapes due to the drought. Therefore they had to increase their raisin purchases to make up for the deficit. Part of the increase can also be attributed to the entry of two new large scale *raki* producers - Taris with Mercan *Raki* and Sarper with Beylerbeyi *Raki*. These factors caused a temporary increase in demand for raisins.

There are numerous firms in the dried fruit processing and export business in Turkey; however, the top ten firms are estimated to control about 80 percent of the raisin market.

TARIS' role in procuring and marketing raisins has been decreasing in conjunction with IMF backed reforms to reduce the government's role in agriculture. In general, TARIS has been the buyer of last resort, purchasing a large percentage of the lower quality raisins. The quantity of raisins procured by TARIS has varied from as low as 9,000 MT to as high as 75,000 MT during the last ten years due to unstable production and quality.

TARIS and the Izmir Commodity Exchange determine the market prices for raisins in Turkey. The former by announcing the procurement prices in the beginning of the season and the latter by serving as the main cash market for raisins.

TARIS normally announces its procurement price for raisins at the beginning of the marketing year; therefore, it is expected that TARIS will announce the MY 2008 procurement price in September 2008. In MY2007 TARIS announced the procurement price as 1.2 YTL/kg. However, due to the drought and low yields this price has increase tremendously. Right after TARIS' announcement the raisin prices at the Izmir Commodity exchange in September 2007 reached on average 1.60 YTL/kg. Low supply and high demand pushed the price to a maximum of 3.22 YTL/kg in April 2008. By July the price had fallen to around 2.2 YTL/kg. Even this relatively low price is an increase of 65% from the price a year ago (which was 1.35 YTL/kg in July 2007).

In MY 2006, the weather conditions were good during the early growing and drying seasons. Hot and dry weather during the summer months and rains during the late drying season, however, slightly affected both the quantity and quality. In MY 2006, about 10 percent of the raisins produced were standard #10, about 65 percent were standard #9, about 10 percent were standard #8, and about 10 percent were standard #7. The remaining five percent was made up of the Thompson type and organic raisins. These ratios in MY 2005 were about 15 percent standard #10, 35 percent standard #9, 40 percent standard #8, and 10 percent standard #7.

## Trade

MY 2007 raisin exports dropped to an estimated 190,000 MT due to tight supplies and high prices. In MY 2008 export numbers are expected to recover slightly to 210,000 MT. According to Aegean Exporters Union data, Turkey exported a total of about 178,161 MT between September 2007 and July 2008, compared to about 235,033 MT during the same period a year before. Although this represents a decrease of about 25% in terms of volume, one exporter pointed out that his total revenues increased due to high prices.

In MY 2006 the average export price for raisins was 1.192 USD/kg. In MY 2007 the average export price was 1.685 USD/kg. Export prices are expected to decrease in MY 2008 in line with increasing supply. These prices (all FOB Izmir) are based on the average, however actually prices vary slightly depending upon grade (A, B or C).

The Export Trade Matrix given in this report is based on unofficial data received from the Aegean Exporters Union. Turkey imports only minimal quantities of raisins from neighboring countries, mostly Greece.

**Export Trade Matrix**

| Turkey<br>Raisins |                             |                   |                             |
|-------------------|-----------------------------|-------------------|-----------------------------|
| Units:            | Metric Tons                 | Units:            | Metric Tons                 |
| Exports for:      | 2006<br>Sep 2006 - Aug 2007 | Exports for:      | 2007<br>Sep 2007 - Jul 2008 |
| USA               | 211                         | USA               | 139                         |
| Others            |                             | Others            |                             |
| United Kingdom    | 65,301                      | United Kingdom    | 47,395                      |
| Germany           | 48,001                      | Germany           | 27,662                      |
| Holland           | 33,828                      | Holland           | 26,808                      |
| Italy             | 21,523                      | Italy             | 15,823                      |
| Australia         | 21,149                      | France            | 13,158                      |
| France            | 17,371                      | Australia         | 11,210                      |
| Belgium           | 10,205                      | Belgium           | 6,971                       |
| Ireland           | 6,558                       | Ireland           | 4,430                       |
| Total for Others  | 223,936                     | Total for Others  | 153,457                     |
| Others not Listed | 41,853                      | Others not Listed | 26,165                      |
| Grand Total       | 266,000                     | Grand Total       | 179,761                     |

**Trade Policy**

There have never been any export subsidies for raisins. In order to protect local producers, the Turkish government announced an import duty in 2005. This has remained at 54.9 percent for all origins, based on the CIF value.

**Stocks**

Official information on raisin stocks is not available. MY 2006 carryover stocks decreased from the year before by 19000 MT to 43000 MT. In MY 2007 stocks had decreased dramatically due to both a decrease in production and an increase in domestic demand. In MY 2008, with production recovering and local demand stabilizing, FAS Ankara estimates that ending stock levels will be 25,000 MT.

**Marketing**

Private sector firms, with the exception of TARIS, primarily handle the marketing of raisins. TARIS, which was considered a quasi-governmental entity in the past, has become more independent in recent years, especially in the management of its financial decisions.